Knowledge Network Corporation

2016/17 – 2018/19
SERVICE PLAN

For more information on Knowledge Network Corporation contact:

4355 Mathissi Place

Burnaby, B.C. Canada

V5G 4S8

Phone: 604.431.2222 Toll Free: 1.877.456.6988

Email: info@knowledge.ca

or visit our website at:

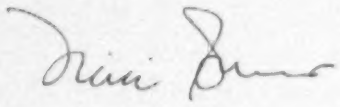
Knowledge.ca

BRITISH COLUMBIA'S **Knowledge Network:**

Accountability Statement

The 2016/17 - 2018/19 Knowledge Network Corporation Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 31, 2016 have been considered in preparing the plan. The performance measures presented are consistent with the Taxpayer Accountability Principles, Knowledge Network Corporation's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of Knowledge Network Corporation's operating environment, forecast conditions, risk assessment and past performance.



Nini Baird, C.M.

Chair, Knowledge Network Corporation Board of Directors

Table of Contents

Accountability Statement **3**

Strategic Direction and Context **5**

Performance Plan **7**

Financial Plan **11**

2014-2019 Summary Financial Outlook 11

Appendices **13**

Appendix A: Hyperlinks to Additional Information 13

Appendix B: Subsidiaries and Operating Segments 14

Strategic Direction and Context

The Knowledge Network Corporation Act identifies five key objectives for British Columbia's public educational broadcaster:

- Carry on the business of broadcasting and communications to provide unique, quality educational programming to British Columbians;
- Promote lifelong learning in British Columbia by providing quality educational programming;
- Inform and educate British Columbians about their province and about issues that are relevant to them;
- Provide British Columbians with a unique television experience; and,
- Collaborate with the independent television and web media production sectors in British Columbia.

Knowledge Network is embarking on a new three-year Strategic Plan, *Foundation: Content + Channels + Community* to support our public mandate. The plan has been designed to meet emerging challenges in competition, charitable giving and technology, while pursuing new opportunities for growth.

Our 2016/17 Mandate Letter will inform our actions in the coming year with four strategic priority actions:

1. Broadcast programming covering topics of interest to British Columbians such as: economic diversification; jobs and skills; Asian trade and cultural awareness; First Nations communities and cultural awareness; health care sustainability including seniors' demographic shifts; early learning initiatives; emergency preparedness; and the environment, including climate change.

2. Develop a new documentary series on international trade through the lens of the Vancouver International Airport, in partnership with B.C.'s independent production sector.

3. Expand our website, Knowledge.ca, through the addition of curated arts and information content from trusted Canadian and international sources.

4. In year two of a three year plan, self-finance the replacement of aging digital broadcast infrastructure.

The Taxpayer Accountability Principles of cost consciousness (efficiency), accountability, appropriate compensation, service, respect, and integrity guide our overall goals and strategies.

Operating Environment

Knowledge Network is federally licensed by the Canadian Radio-television and Telecommunications Commission (CRTC) and provincially mandated by the Government of British Columbia. Knowledge Network is also a registered charity with the Canada Revenue Agency, engaging in fundraising activities through Knowledge Partners and the Knowledge Endowment Fund. Our Service Plan supports both our federal and provincial commitments, and identifies the opportunities and risks we face moving forward.

There are four primary risks that may have an impact on our public service in 2016/17:

1. Digital technology upgrades:
    - Aging equipment may impact delivery and quality of service on multiple platforms.

2. Multi-platform broadcast rights
    - The increase in online broadcast services is creating more competition for programs and their multi-platform rights, increasing costs and availability of content.

3. Audience behaviour
    - With audiences accessing content from non-traditional platforms such as websites, apps and video on demand (VOD), investments in multi-platform delivery are essential.

4. Revenue generation:
    - There is a significant decline in charitable giving in Canada combined with increased competition for donations.[1]
    - Broadcast industry consolidation impacts the availability of content, and more consumer choice may result in a less favourable pricing model for BBC Kids.

The strategies identified in our new Strategic Plan and 2016/17-18/19 Service Plan will help mitigate these risks within our operating environment.

[1] Blackbaud Index Canada September 2015

Performance Plan

Goals, Strategies, Measures and Targets

Our new strategic goals and strategies address how we will compete, how we will grow and how we will build the foundation for a public broadcasting institution that will endure for generations to come.

Goal 1: Strengthen public broadcasting for British Columbians by increasing the unique and relevant content available on all Knowledge Network platforms.

Strategies

1. Commission and pre-license more B.C. content.
2. Improve access to broadcast rights by investing in Canadian and international projects earlier through pre-buying and pre-licensing.
3. Increase children's content online by developing digital properties that support their social, emotional, and intellectual development (apps, games, e-books).
4. Expand Knowledge.ca by curating complementary content related to programming such as photographs and articles.

Performance Measures	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
DIRECT INVESTMENT IN MULTI-PLATFORM CONTENT[2]	$2,748,625	$ 3,616,011	$3,000,000	$3,100,000	$3,200,000
INDIRECT INVESTMENT IN MULTI-PLATFORM CONTENT (CANADA MEDIA FUND)[3]	$654,688	$1,211,584	$900,000	$900,000	$900,000
B.C. INDEPENDENT PRODUCTION BUDGETS SUPPORTED BY KNOWLEDGE NETWORK[4]	$3,231,450	$9,762,233[5]	$2,500,000	2,800,000	$3,000,000

[2] The amount Knowledge Network directs annually from its budget for content rights. Includes investment in television and online content for both children and adults.
[3] Based on our investment in Canadian productions, Knowledge Network receives a funding envelope from the Canada Media Fund. Knowledge Network allocates these funds to children's programming and documentaries.
[4] As a licensed broadcaster, Knowledge Network can help B.C. independent producers trigger funding for B.C. independent productions from third-party funding sources (domestic and international broadcasters, the Canada Media Fund, private media funds and provincial and Canadian tax credits). This measure includes all contributions to B.C. independent production budgets supported by Knowledge Network.
[5] Compared to the previous year, we are forecasting the actual to be significantly higher in 2015/16 due to our support of a children's series produced by a Vancouver-based animation studio.

Discussion

The increase in available online broadcast services is creating more competition for programs and their multi-platform rights. By playing a larger role in the creation of original programming, Knowledge Network will ensure a steady supply of unique, relevant content for its audiences. In 2016/17, a second season of the popular six part documentary series *Emergency Room: Life and Death at VGH* will premiere on-air and online. In East is East we will feature *India: Then and Now*, a collection of documentaries about the Indian subcontinent.

Goal 2: Attract new audiences in British Columbia.

Strategies

1. Grow baby boomer (ages 50-70) audiences through strategic partnerships and marketing priorities.
2. Capture audiences from non-traditional platforms.
    - Invest in marketing of Knowledge's "TV – Everywhere" offerings (websites, apps, VOD).
    - Seek carriage on emerging platforms (e.g. Apple TV, Roku).
3. Increase marketing efforts to strengthen the Knowledge brands.
    - Improve integration of marketing activities across all platforms.
    - Increase presence at community events to drive awareness of Knowledge and Knowledge Kids to new audiences.
4. Leverage the rollout of new low cost, basic service cable bundles to increase awareness of Knowledge Network and Knowledge Kids.

Television Channels (SD and HD)

Performance Measures		2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
TOTAL REACH (PEOPLE)	Knowledge Primetime	2,560,000	2,450,000	2,500,000	2,400,000[6]	2,400,000
	Knowledge Kids[7]	1,800,000	1,600,000	1,500,000	1,500,000	1,500,000
AVERAGE WEEKLY HOURS VIEWED[8]	Knowledge Primetime	1,450,250	1,200,000	1,200,000	1,200,000	1,200,000
	Knowledge Kids	510,862	375,000	375,000	375,000	375,000

[6] Knowledge Primetime primarily targets audiences 50-70. While many viewers in this demographic continue to watch programs on television, the opportunity for audience growth is on web and app channels. Maintaining our current audience on television, which includes a large segment of boomers, is an ongoing challenge in our competitive broadcast environment.
[7] The 2-8 demographic are consuming more content on other platforms (desktop computers, mobile and tablets).
[8] Averaged over fiscal year, the total number of hours of programming viewed per week in the Vancouver Extended Market measured by Numeris Canada.

Web Channels

Performance Measures		2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
WEB SESSIONS[9]	Knowledge.ca	1,213,420	1,300,000	1,300,000	1,350,000	1,400,000
	KnowledgeKids.ca	255,110	200,000	300,000	325,000	350,000
	TOTAL	1,468,530	1,500,000	1,600,000	1,675,000	1,750,000
PAGE VIEWS[10]	Knowledge.ca	5,428,752	6,000,000	7,000,000	7,500,000	8,000,000
	KnowledgeKids.ca	575,799	400,000	500,000	550,000	600,000
	TOTAL	6,004,551	6,400,000	7,500,000	8,050,000	8,600,000

App Channels

Performance Measures		2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
APP SESSIONS[11]	Knowledge App	N/A	25,000	60,000	70,000	80,000
	Knowledge Kids Go	N/A	10,000	40,000	45,000	50,000
	TOTAL	N/A	35,000	100,000	115,000	130,000
SCREEN VIEWS[12]	Knowledge App	N/A	70,000	100,000	125,000	150,000
	Knowledge Kids Go	N/A	30,000	60,000	70,000	80,000
	TOTAL	N/A	100,000	160,000	195,000	230,000

Community Outreach

Performance Measures	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
B.C. COMMUNITY EVENTS	9	14	10	11	12
BRITISH COLUMBIANS ATTENDING COMMUNITY EVENTS (ESTIMATED NUMBER OF PEOPLE)	3,140	5,290[13]	3,200	3,300	4,000

[9] Period of interaction between visitor's browser and website, ending when browser is closed. Measured using Google Analytics.
[10] View of a page on a website tracked by tracking code. There can be one or more page views per session. Measured using Google Analytics.
[11] A session is the period time a user is actively engaged with your app. All usage data (Screen Views, Events, Ecommerce, etc.) is associated with a session. Measured using Google Analytics.
[12] The total number of screens viewed. Repeated views of a single screen are counted. Measured using Google Analytics.
[13] Due to venue and contract availability, we hosted 4 Partner events in one fiscal year in 2015/16 (we usually host two).

Discussion

In the crowded media environment, brand awareness and discoverability of Knowledge Network by the public is more challenging. By strengthening marketing efforts across multiple platforms and targeting key demographics, Knowledge Network will attract new viewers to its services.

Goal 3: Increase self-generated revenues through donations from the public and from entrepreneurial initiatives.

Strategies

1. Explore opportunities to encourage more legacy gifts.
2. Align fundraising tactics and messaging with the philanthropic values of baby boomers emphasizing B.C. and Canadian identity of the Knowledge brand.
3. Expand fundraising appeals on new platforms to convert more Knowledge viewers and users to Knowledge Partners.
4. Explore opportunities to offer Knowledge Network in new territories.
5. Protect BBC Kids revenue in the face of a changing regulatory environment (e.g. Pick and Pay).

Performance Measures	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
KNOWLEDGE PARTNER DONATIONS[16]	$3,009,552	$3,900,000	$3,900,000	$3,900,000	$3,900,000
ENTREPRENEURIAL REVENUES[17]	$750,000	$750,000	$600,000	$600,000	$600,000

Discussion

The baby boom generation will be a key driver of charitable donations over the next 20 years. An increase in giving from this cohort along with growth in entrepreneurial revenues will improve the long term sustainability of Knowledge Network as a public service. Increases in legacy giving to Knowledge Network are a critical part of meeting this goal.

[16] Measured by tracking total Knowledge Partners donations received annually.
[17] From entrepreneurial initiatives including channel management fees (unconsolidated).

Financial Plan

2014-2019 Summary Financial Outlook

(Consolidated, $000s)

	2016/17 Actual	2017/18 Forecast	2018/19 Budget	2019/20 Budget	2020/21 Budget
Provincial Operating Grant	6,260	6,260	6,260	6,260	6,260
Donations and Sponsorships	3,900	3,900	3,925	3,925	3,925
Revenue from Subsidiary Operations	1,940	1,920	1,450	1,450	1,450
Other Revenue[1]	550	500	450	450	450
Amortization of Deferred Contributions	500	450	420	420	420
Total Revenues	**13,730**	**13,030**	**12,500**	**12,500**	**12,500**
Salaries and Benefits	4,210	4,440	4,350	4,350	4,350
Amortization of Capital Assets and Broadcast Rights	3,350	3,650	3,757	3,757	3,757
Marketing and Development	1,075	1,340	1,450	1,450	1,450
Expenses from Subsidiary Operations	1,060	1,110	1,000	1,000	1,000
Programming and Presentation	840	920	760	760	760
Broadcast Platforms and Corporate IT	860	830	770	770	770
General[2]	510	430	350	350	350
Administration	450	450	430	430	430
Total Expenses	**12,750**	**13,480**	**12,070**	**12,070**	**12,070**
Annual Surplus from Operations	**1,030**	**570**	**580**	**580**	**580**
Endowment Contributions Received (held in trust)[3]	1,240	450	450	450	450
Annual Surplus	**2,270**	**900**	**580**	**580**	**580**
Total Liabilities	3,000	3,500	3,500	3,500	3,500
Accumulated Surplus (Invested in Broadcast Rights & Capital Assets, Endowment Fund)	16,250	17,150	17,670	18,250	18,830
Capital Expenditures	3,000	4,250	4,000	4,000	4,000

[1] Includes channel management fee and unrealized and realized investment income.
[2] Includes includes purchased services, supplies, minor software, maintenance and travel
[3] Endowment contributions are held in trust and are not treated as operating revenue.

Key Forecast Assumptions

While Knowledge Network has experienced an upward trend in charitable donations, the overall trend in the charitable sector across Canada is down. Combined with changing demographics in British Columbia, we may see donations to Knowledge Network start to plateau within the next three years. Revenues from entrepreneurial activities are stable with new initiatives currently being explored. New CRTC broadcast policies may impact current revenue models for specialty services.

Management Perspective on Future Financial Outlook

Knowledge Network's success has been built on a foundation of support from the Government of British Columbia as well as from other key stakeholders.

Our operating environment is changing as on-demand streaming media becomes more popular with audiences. To remain competitive, we have expanded online services and introduced new apps for children and adults. With these additional services come higher bandwidth and other operating costs. Our major challenge moving forward is to continue investments in web and mobile services, where we anticipate the greatest audience growth.

Our broadcast facility is aging and requires significant upgrades. We have developed a plan to self-finance $670,000 of replacement costs for digital broadcast infrastructure in 2016/17. We are looking at funding options to support a $500,000 investment required in 2017/18 to replace major components of our broadcast facility. This capital expenditure will put pressure on our ability to remain competitive in the broadcast marketplace.

As some of our programming and broadcast equipment is paid for in U.S. funds, we are planning for increased costs in 2016/17 resulting from the low Canadian dollar.

Appendix A:

Hyperlinks to Additional Information

Corporate Governance

Organizational Overview

Appendix B:

Subsidiaries and Operating Segments

Active Subsidiaries

Knowledge-West Communications Corporation (KWCC) was incorporated in 1981. KWCC owns and operates BBC Kids, a Canadian children's subscription channel. The CRTC approved KWCC's acquisition of assets for BBC Kids in April 2011. BBC Kids is a commercial-free service reinforcing the values of both Knowledge Network Corporation and the BBC. KWCC financial results are proportionately consolidated under Knowledge Network Corporation's audited financial statements.

2014-2019 Summary Financial Outlook

	2014/15 Actual	2015/16 Forecast	2016/17 Target	2017/18 Target	2018/19 Target
Revenue from Subsidiary Operations	1,546	1,563	1,454	1,454	1,454
Expenses from Subsidiary Operations	1,042	1,116	1,004	1,004	1,004
Net Income from Subsidiary	**504**	**447**	**450**	**450**	**450**